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# MARKET OUTLOOK FOR UNITED STATES & SOUTH AMERICA

## Grain Market Outlook for the United States and South America by Steve Freed, Vice President of Grain Research, ADM Investor Services

*The following report is an overview of the US and South American economic, political and crop situations as of* ***February 17, 2021.*** *This report is intended to be informative and does not guarantee price direction.*

After the February USDA report, soybean and wheat futures were rangebound. May soybeans traded between 13.50 and 14.00 and May Chicago wheat between 6.40 and 6.60. May corn had a wild ride from a high near 5.72 to a low near 5.23 and is now back near 5.50. South America has seen some needed rains across some of the drier than normal parts of Brazil and Argentina. Argentina and south Brazil are now turning drier during key yield determine time. Rains in north Brazil slowed soybean harvest there. Record cold U.S. temperatures raised energy demand but slowed domestic grain movement. Key to prices will be South America crop sizes, their export shipping pace, final U.S. corn and soybean exports and the impact on final U.S. 2020/21 carryout, and spring 2021 northern hemisphere weather. Managed funds remain long in the grains and oilseed futures market.

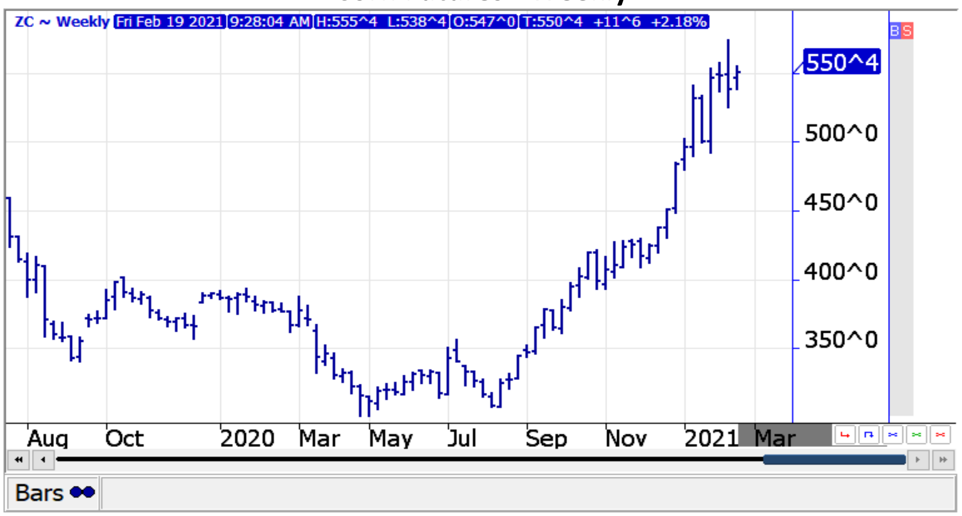
In February, the USDA estimated the U.S. 2020/21 corn carryout to 1,502 mil bu versus 1,552 estimated in January. This disappointed the longs. The USDA increased exports 50 mil bu. Most analysts believe total demand will increase and could take that 450 mil bu off the 1,552 carryout. The USDA did increase China's corn imports to a record 24.0 mmt but at the same time increased China's corn end stocks to 196.1 mmt from 191.6 last month. Most feel corn futures could see increased price volatility.

In February, the USDA did drop the U.S. 2020/21 soybean carryout to 120 mil bu versus 140 estimated in January. The USDA increased exports 20 mil bu. Most feel final export demand could increase even more and could take the final carryout to near 100 mil bu. The USDA left the Brazil soybean crop at 133.0 mmt and the Argentina crop at 48.0. The USDA left China's soybean imports at 100.0 mmt.

In February, the USDA left the U.S. 2020/21 wheat carryout unchanged at 836 mil bu. An increased export tax for Russian wheat exports and slower wheat exports from Europe could help support wheat futures. Record cold U.S. temperatures raised concerns about the U.S. 2021 winter wheat crop. For now, most analysts feel damage may be minimal and March and April rainfall will be key to the final crop.

Some analysts believe tightening U.S. corn and soybean balance sheets and a successful virus vaccine could increase demand for food and fuel late in 2021. The U.S. dollar could also continue to trend lower on talk of higher 2021 U.S. debt. All of this could be key to grain and soybean price trends in 2021.

**Corn Futures - Weekly**




*Charts from QST*

## Livestock Outlook by Chris Lehner, Senior Livestock Analyst, contracted by ADM Investor Services

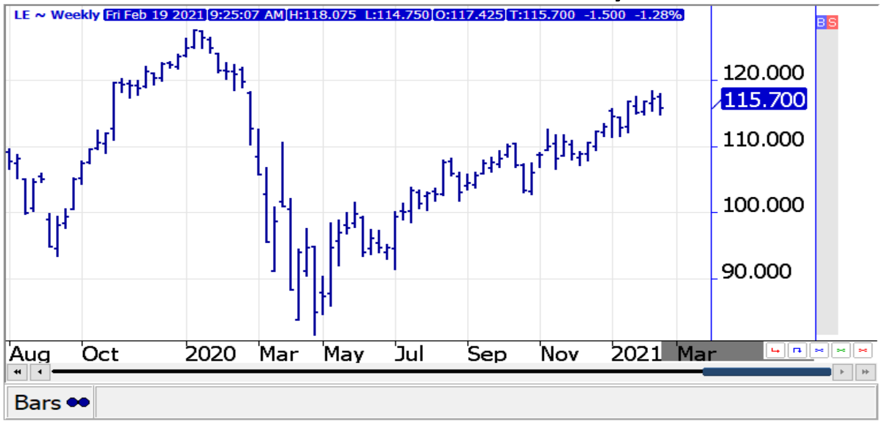
*The following report is an overview as of **February 18, 2021** and is intended to be informative and does not guarantee price direction.*

With the December 2020 holiday beef demand over, boxed beef prices began the first week of January 2021 moving lower. Overfed big cattle in the Midwest and Northern U.S. were a problem in the last quarter of 2020 and continued to be a problem starting out in 2021. The lack of holiday retail buying was felt with the price of primal rib and loin sections dropping, the most expensive cuts, plus packers were discounting the big cattle.

However, net export sales of beef were good, about 12% better, compared to the same period in 2020. January weather was warm and drier across the majority of the U.S. and heavy cattle continued to add pounds without the normal inclement weather in January. With the majority of overweight cattle in the Midwest and northern feeding states, cash cattle prices were selling for \$1.00/cwt to \$2.00/cwt higher in the South and Southwest. In the first week of January cash prices in Iowa were \$110.00/cwt and in Texas cattle sold for \$112.00/cwt. By mid-January, prices dropped, and Midwest cattle were selling for \$107.00/cwt and cash cattle in the South at

$109.00/cwt. By month end, prices had recovered and prices between regions were even with prices back to $112.00/cwt to $113.00/cwt.

**Live Cattle Futures - Weekly**

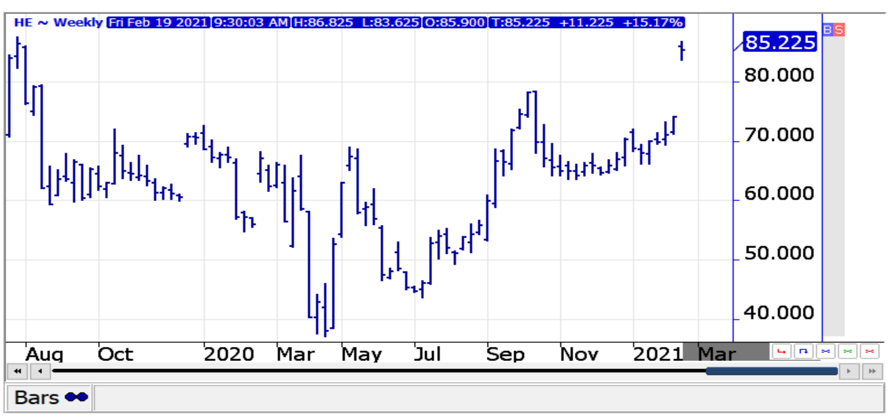



## Lean Hogs

January 2021 was good for the producer and good for speculative traders, especially traders with spreads. April 2021 lean hogs on December 31 settled at $72.25/cwt and on January 29th closed the day at $76.65/cwt. Speculators were actively spreading lean hogs. For example, the February 2021/April2021 lean hog spread started January with February lean hogs minus $1.57/cwt under April lean hogs, narrower than normal, and by the last day of January, February lean hogs were minus $6.85/cwt under April 2021. Pork prices improved in January. The CME pork index was $71.04/cwt to start the month and was $82.47/cwt at the end of January. The CME lean hog index also improved throughout January.

It was $59.06/cwt at the start and ended at $68.27/cwt. Pork is a cheap protein source even with the price gain in January. U.S. pork sales have been good and export sales ended 2020 up 15% with pork sales, and up 11% with pork and variety exports combined compared to 2019. The cheap U.S. dollar compared to the Mexican peso and consistent demand from Mexico for U.S. pork over the past decade saw an increase in Mexican exports. January sales started out slow to Mexico but by month end they were back to the U.S. pork market.

**Lean Hog Futures – Weekly**



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*Charts provided by QST*

## Stock Index, Currency, Crude Oil and Precious Metals Futures Market Outlook
## by Alan Bush, Senior Financial Economist, ADM Investor Services

*The following report is an overview as of **February 19, 2021** and is intended to be informative and does not guarantee price direction.*

## Stock Index Futures

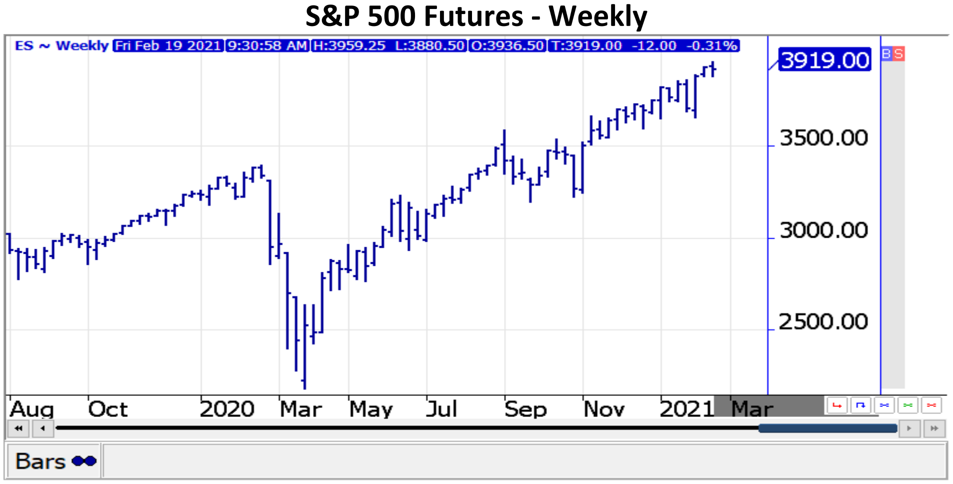
S&P 500, Dow and NASDAQ futures advanced to new record highs due to vaccine and fiscal stimulus optimism, along with better than expected quarterly earnings results. In addition, recent gains were linked to ideas that the Federal Reserve will remain accommodative for an extended period. Federal Reserve Chairman Powell said recent inflation numbers eased concerns of inflationary pressures but raised questions about a slow pace of the economic recovery. In addition, Mr. Powell said the central bank will continue to support the economy with low interest rates and large asset purchases.

Economic reports have been mixed. Retail sales in January increased 5.3% when up 1.1% was expected. January Industrial production increased 0.9% when up 0.5% was predicted and January capacity utilization was 75.6% when 74.8% was estimated.

Mortgage applications fell 5.1% in the week ended February 12, which is the second consecutive week of decline, according to the Mortgage Bankers Association. Applications to refinance a home loan dropped 4.7%.

There is rule of thumb that new record highs in any market suggests follow-through strength is likely. In some cases, the additional gains can be substantial. The logic behind this is that, if the fundamentals are powerful enough to propel a market to new historical highs, they are probably strong enough to persist for a while longer and push prices even higher.

**S&P 500 Futures - Weekly**



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## U.S. Dollar Index

The U.S dollar index appears to have found support near the 90.000 level. More recently the greenback has firmed, as some economic reports came in better than expected. For example, the February Empire State manufacturing index was 12.1 when 5.7 was expected.

In the longer term, upside potential is limited by the belief that an increase in fiscal spending in the U.S. would raise the budget and current account deficits. Also undermining the greenback's upside potential are expectations for an extended period of low interest rates due to the Fed's "average inflation targeting" strategy, which suggests the U.S. central bank will remain accommodative for longer.

## Euro Currency

The euro currency made a near-term top in early January and has trended lower more recently. Economic news has been mixed. There was some support for the euro on news that euro zone fourth quarter M3 growth was 11.3% when 10.9% growth was predicted.

Germany's gross domestic product increased by an adjusted 0.1% in the fourth quarter from the previous quarter, which beat economists' expectations of unchanged. GDP shrank 3.9% on the year in the fourth quarter when economists had forecast a 4.0% contraction. The euro zone gross domestic product is set to contract by 0.9% on the quarter in the first quarter of 2021, leading the monetary union into a technical recession, according to the European Union.

A spokesman for the European Central Bank said it is ready to use all the tools necessary to stimulate inflation and is keeping a close eye on the euro's appreciation.

Interest rate differential expectations are neutral for the euro currency.

## Crude Oil

Crude oil futures extended gains with both WTI and Brent crude near 13-month highs amid weather-related supply disruptions and a larger-than-predicted decline in U.S. crude oil inventories. Production disruptions in the U.S. were due to deep freeze weather, which was more severe than initially thought, with Texas oil producers and refiners remaining shut for an extended period.

There was some long liquidation on reports of possible production increases from OPEC and the chance that Iranian barrels eventually will return to the global market.

The technical aspects of this market remain constructive and follow-through gains are likely.

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**Crude Oil Futures - Weekly**


## Gold and Silver

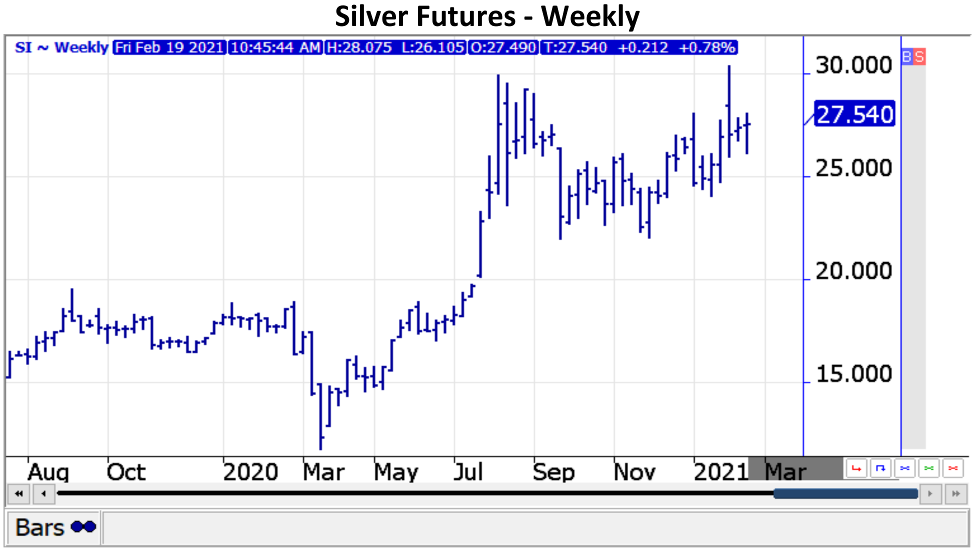
Flight to quality longs in gold continue to be liquidated in light of a stabilizing U.S. dollar. Gold futures are seeing only limited support from increasing prospects of rising inflation levels.

There was some support from the minutes of the Fed's January 27 FOMC meeting. The FOMC minutes and recent Fed officials' comments remain dovish. The Federal Reserve has promised to keep short-term interest rates near zero into 2023.

The near term fundamentals are mixed for gold. However, in the longer term, gold will continue to be a safe-haven asset in times of economic turmoil.

However, the silver market is much more attractive currently and has substantially gained on gold. Supporting silver are rumors of supply issues. In addition, the technical aspects of silver remain constructive. Expect silver to continue to advance in price.

**Silver Futures - Weekly**



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# Support and Resistance

## Grains

**May 21 Corn**

Support 5.00 Resistance 6.20

**May 21 Soybeans**

Support 13.00 Resistance 15.00

**May 21 Chicago Wheat**

Support 6.00 Resistance 7.00

## Livestock

**April 21 Live Cattle**

Support 117.12 Resistance 126.92

**April 21 Lean Hogs**

Support 77.50 Resistance 93.50

## Stock Index

**March 21 S&P 500**

Support 3850.0 Resistance 4000.00

**March 21 NASDAQ**

Support 13400.00 Resistance 14000.00

## Energy

**April 21 Crude Oil**

Support 58.50 Resistance 65.50

**April 21 Natural Gas**

Support 2.800 Resistance 3.320

## Metals

**April 21 Gold**

Support 1750.0 Resistance 1845.0

**May 21 Silver**

Support 25.90 Resistance 30.50

**May 21 Copper**

Support 3.9000 Resistance 4.2700

## Currencies

**March 21 U.S. Dollar Index**

Support 89.300 Resistance 91.300

**March 21 Euro Currency**

Support 1.20700 Resistance 1.22500

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## MARKET OUTLOOK FOR CHINA AND ASIA REGION

**By Alex Poon, ADMIS Hong Kong & Kevin Yang, ADMIS Shanghai Representative Office**

*The following is an overview of the Chinese and Asian economic, political and crop situations as of* ***18 February 2021****. This report is intended to be informative and does not guarantee price direction.*

The key Chinese and Asian event over the last 30 days has been China's PPI record growth, although the CPI dropped temporally in January. Traders believe an increasing PPI will translate to higher inflation down the road. Australia kept its key interest rate unchanged, but surprised the market by expanding the QE size.

### China

The pandemic encumbered the recovery of China's economy, both domestically and globally. In January, the CAIXIN China manufacturing PMI declined 1.5 percentage points from last month to 51.5, the lowest level since July 2020. Production and new orders recorded the lowest values in the past nine and seven months respectively. New export orders fell to contraction. The slowdown also adversely affected the job market. The employment index continued to slightly decline into the contraction area and manufacturing enterprises remained cautious in expanding hiring. Surveys showed the reason for that decline is vacancies have not been filled after corporate restructuring or employees voluntarily left. The official manufacturing PMI also dipped 0.6 percentage points from last month to 51.3.

There were scattered outbreaks of COVID-19 in multiple provinces in China prior to the Chinese New Year holiday, which restrained mobility around the country. This in turn slowed down consumption. In January, China's CPI dropped 0.3% from last year. The CPI is expected to turn positive in February, but with a high comparative basis from last year, the growth would be very little. The PPI rose 0.3% year-on-year, from last month's -0.4% growth, indicating profits of industrial enterprises continued improving. The PPI is estimated to further climb this year.

In 2020, corn became a product under the spotlight, as the price surged, and imports increased to record highs. DCE corn futures prices rose 58.46% in year 2020. The increase was attributed to fast-growing feed demand caused by recovering hog inventories and China's increasing corn deep processing capacity. The widening supply gap pushed domestic corn prices higher, which forced processing companies to turn to imports from overseas. Corn imports rose 135.91% to 11.3 million tons in 2020 compared to year 2019. Alternative products like sorghum and barley also saw a surge in imports, increasing 479.52% and 32.26% year-on-year respectively. Corn

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imports are expected to continue increasing by 20 million tons in 2021 and as much as 40 million tons per year in the future.

## Other Asian Countries

Japan's Manufacturing PMI in January was revised higher to 49.8 from 49.7, while the service PMI in January rose to 46.1. For the short-term policy interest rate, the Bank of Japan will continue to apply a negative interest rate of -0.1% to the Policy-Rate Balances in current accounts held by financial institutions at the BOJ. For the long-term policy, the central bank would continue to purchase a necessary amount of Japanese government bonds with no limit. Therefore, 10-year Japanese government bonds yields will remain at around 0%. As the pandemic continued to discourage consumption, Japan's consumer prices declined 1.2% year-on-year in December of 2020.

South Korea recorded a positive consumer price index in January. The CPI rose to 106.47 points from 105.67 points. In addition, the core inflation rate dropped to 0.9% from 1.0%. However, exports from South Korea increased 11.4% from a year earlier to USD 48 billion in January. The Bank of Korea kept its interest rate unchanged at 0.5%. As the uncertainties surrounding the economy are judged to remain elevated, policymakers claim that labor market conditions remain weak. The BOK will maintain its accommodative monetary policy stance.

The Reserve Bank of Australia decided to keep the interest rate unchanged at a record low 0.1%. Australia's central bank believed that they have to keep rates on hold until at least 2024. The central bank also claimed that how households and companies adjust to reduce some of the government support measures and what level they will use their stronger balance sheet to support spending will be a critical short-term problem. The RBA surprise the market by expanding the QE by a further A$100 billion.

The Reserve Bank of New Zealand left its key interest rate unchanged at a record low of 0.25%. Policymakers claim that additional stimulus would be provided to meet the consumer price inflation and employment remit through a Funding for Lending Programme (FLP), starting in December. The central bank indicated that monetary policy will need to remain stimulatory for a long time, and that it must remain prepared to provide additional support if necessary. New Zealand's unemployment rate fell to 4.9% in the fourth quarter of 2020 from 5.3%.